

2024/25 BUDGET PROPOSALS FOR SERVICES WITHIN THE REMIT OF RESIDENTS' SERVICES SELECT COMMITTEE

Committee name	Residents' Services Select Committee
Officer reporting	Andy Goodwin & Ceri Lamoureux, Finance
Papers with report	N/A
Ward	All

HEADLINES

1. To comply with the Budget and Policy Framework procedure rules as part of the agreed consultation process for the General Fund and Housing Revenue Account budgets, alongside the Council's Capital Programme, this report sets out the draft revenue budget and Capital Programme for the services within the remit of the Residents' Services Select Committee. Following consideration by Cabinet on 14 December 2023, these proposals are now under consultation, and the relevant proposals being discussed at the January cycle of the Select Committees.
2. Cabinet will next consider the budget proposals on 15 February 2024, and the report will include comments received from Select Committees. At the meeting on 15 February 2024 Cabinet will make recommendations to full Council regarding the budget and Council Tax levels for 2024/25. Subsequently, Council will then meet to agree the budgets and Council Tax for 2024/25 on 22 February 2024.
3. The Committee needs to consider the budget proposals as they relate to the relevant service areas within the Residents' Services Cabinet Portfolio, but within the corporate context and the constraints applying as a result of the aggregate financial position of the authority.

RECOMMENDATIONS

4. **It is recommended that the Committee notes the budget projections contained in the report and comments as appropriate on the combined budget proposals affecting the relevant service areas within the Residents' Services Cabinet Portfolio, within the context of the corporate budgetary position.**

General Fund Budget

Budget Strategy

5. Budget proposals for 2024/25 have been prepared in the context of a wider strategy addressing the five-year MTFE period through which service expenditure is to be managed within available resources in the context of a challenging economic environment both in terms of an exceptional inflationary pressures, the impact of the cost-of-living crisis and the continuing legacy of COVID-19. To balance the budget, the Council has a number of mechanisms at its disposal to deliver this including a combination of delivering efficiency savings, increases in the Council Tax, and Fees and Charges, whilst setting a strategy that increases reserves above those forecast within the 2023/24 position.
6. This budget strategy is based upon the principle of sound financial management set against the backdrop of these challenging economic conditions, with the latest monitoring position for the 2023/24 financial year reporting a net underspend of a minor £2k which will leave uncommitted General Balances at £26,848k entering the 2024/25 financial year.
7. However, the 2023/24 position reflects the use of Earmarked Reserves to fund £3,622k of exceptional inflationary pressures on service budgets including the 2023/24 pay award. Furthermore, the Council is drawing down £1,785k from reserves to fund local priorities, £1,535k to fund legacy impacts against taxation income driven by the pandemic and £692k of other costs. With windfall income from the West London Waste Authority of £1,500k offsetting these drawdowns, the net impact is a £6,134k use of reserves, leaving a closing balance of £13,926k against the Council's Earmarked Reserves.
8. The Month 7 monitoring position for the services within this select committee present a net variance of £2,400k adverse as presented in the table below:

Table 1: Service Operating Budgets

Cabinet Member Portfolio		Approved Budget	Forecast Outturn	Variance (As at Month 7)	Variance (As at Month 6)	Movement from Month 6
		£'000	£'000	£'000	£'000	£'000
Residents' Services	Expenditure	69,426	70,800	1,374	1,139	235
	Income	(47,148)	(46,122)	1,026	1,176	(150)
	Sub-Total	22,278	24,678	2,400	2,315	85
Services within the remit of other committees	Expenditure	422,572	422,996	424	(503)	927
	Income	(184,083)	(186,909)	(2,826)	(1,814)	(1,012)
	Sub-Total	238,489	236,087	(2,402)	(2,317)	(85)

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Classification: Public

Total Service Operating Budgets	260,767	260,765	(2)	(2)	0
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9. With the following narrative setting out the variances and movement from Month 6 on an exception basis:

a. **Residents' Services** – an overspend of £2,400k is forecast for this portfolio, with a gross pressure of £4,000k included within the position offset by £1,600k of measures to reduce the pressure to the reported level, with steady progress being made against these measures. The variance in this portfolio is being driven by three key areas:

- i. Firstly, the saving programme within the Green Spaces is being impacted by external factors, including exceptional inflationary pressures, leading to approximately a third of the reported pressure.
- ii. Secondly a third of the pressure is being driven by the Community Safety & Enforcement service, with these pressures being driven by a combination of issues at Heathrow, including Brexit related changes and a cessation of Government funding, as well as pressures against parking income as recovery rates from the pandemic continue to track below budgeted predictions.
- iii. Finally, pressures within the Planning Service are driving a large quantity of the remaining pressure as a result of income pressures against fees and charges reflecting adverse economic conditions, as well as expenditure pressures from staffing costs and the use of external consultants to carry out planning activities.
- iv. The above pressures are being managed down by measures aimed at delivering a £1,600k reduction in expenditure, through staffing spend controls, a review of discretionary spend and securing of additional grant funding. Steady progress is being reporting in reducing the outstanding balance of this £1,600k.

The movement in this portfolio relates to a combination of increased expenditure in the Housing service being offset by grant income related to Ukraine support, with an adverse movement on parking income from a refreshed trend analysis for the service.

Within this portfolio there are two areas that fall within the Council's Demand-Led Growth section of the budget strategy as a result of the impacts of demographics and volatility, with these two areas being Homelessness Prevention and Waste Disposal. Homelessness Prevention is experiencing a substantial uplift in demand with a gross pressure of £818k anticipated to be managed out during 2023/24 through a variety of actions and approaches. Waste Disposal costs are currently forecast in line with budget and the Demand-Led Growth bid included in the budget proposals in February 2023.

10. Of the £22,762k savings within the 2023/24 budget, 75% are banked or on track for delivery in full, with potential risks arising on 1% (£242k), relating to timing issues on practical implementation of two projects, which are ultimately expected to be resolved. Further information on this position is set out in the month 7 budget monitoring report also presented to Cabinet on this agenda, but it is expected that all 2023/24 savings will ultimately be banked in full or replaced with alternative measures in the event of any ongoing shortfall.
11. The position on the savings included in the 2023/24 budget within the remit of this Select Committee is as follows:

Table 2: Savings Tracker

Cabinet Member Portfolio	Blue Banked £'000	Green Delivery in progress £'000	Amber I Early stages of delivery £'000	Amber II Potential problems in delivery £'000	Red Serious problems in delivery £'000	Total £'000
Cabinet Member for Residents' Services	(4,462)	(5,913)	(267)	(1,642)	(242)	(12,525)
Services within the remit of other committees	(2,522)	(3,633)	(365)	(768)	0	(7,287)
Cross-Cutting	(500)	0	(500)	(1,950)	0	(2,950)
Total 2022/23 Savings Programme	(7,484) 33.0%	(9,545) 42.0%	(1,132) 5.0%	(4,360) 19.0%	(242) 1.0%	(22,762) 100.0%

12. Based on 2.99% per annum increases in the core Council Tax and 2% per annum increases in the Social Care Precept for 2024/25, reducing to 3.8% overall increase in 2025/26 and 2.8% thereafter, funding available to support service expenditure is projected to grow by £35,209k to £298,487k between 2024/25 and 2028/29. A combination of exceptional inflationary pressures particularly in the earlier years of the budget strategy and demand-led pressures (including the legacy impacts of the COVID-19 pandemic), together with capital investment plans is projected to generate a £52,788k uplift in service expenditure across the five-year term. In order to address this differential, to date, a savings programme of £33,411k has been developed, leaving a residual budget gap of £17,579k across the five-year MTFP period, with £15,752k of savings being proposed for 2024/25 increasing throughout the later years of the MTFP period.

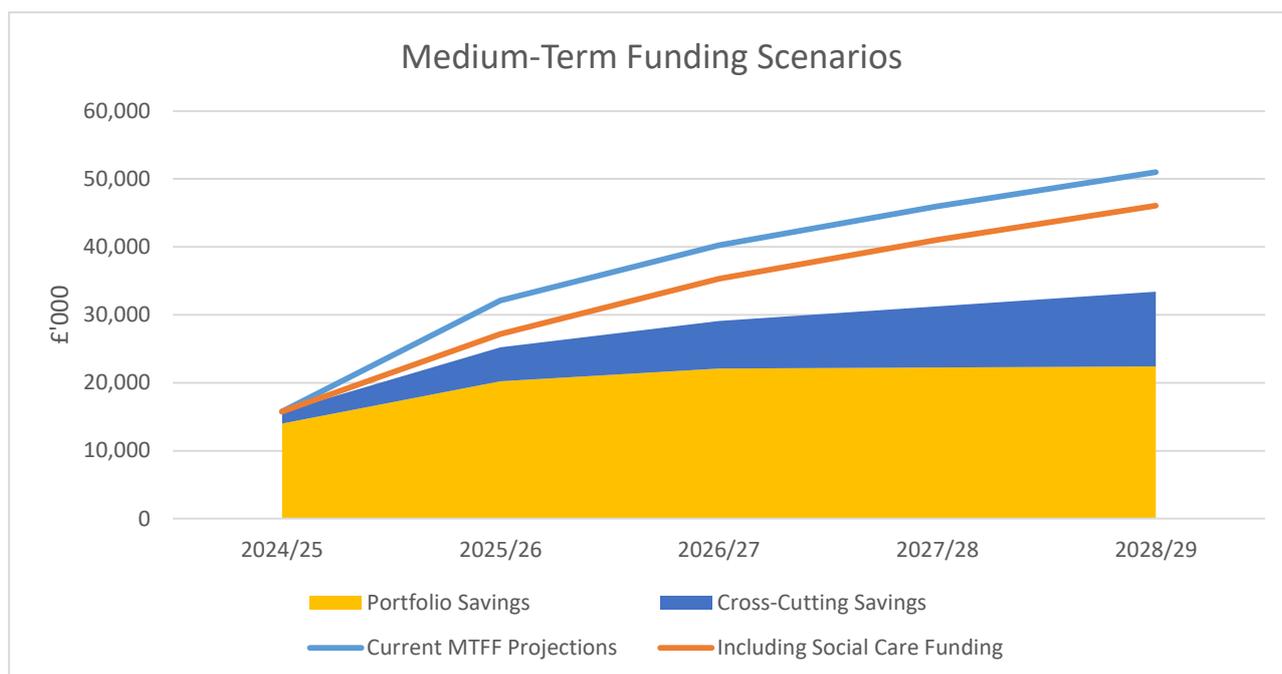
Table 3: Budget Strategy

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Total Resources	263,278	280,712	280,462	287,245	292,253	298,487
Total Service Expenditure	263,278	280,712	287,351	298,386	306,971	316,066
Cumulative Budget Gap	0	0	(6,889)	(11,141)	(14,718)	(17,579)

<u>Of which, Service Expenditure in the remit of this committee:</u>						
Residents' Services	22,681	24,874	26,004	27,412	29,166	30,962
Services within the remit of other committees	240,597	255,838	261,347	270,974	277,805	285,104
Total	263,278	280,712	287,351	298,386	306,971	316,066

13. As is the case for the vast majority of local authorities, the Council has experienced exceptional economic factors that are driving a material inflationary requirement, which is having a significant impact on the cost of providing services to residents, with Government funding no longer keeping pace with the increased expenditure the Council is facing. The generally accepted measure of inflation, the Consumer Price Index (CPI) continues to track above the Bank of England target rate of 2% and peaked at 11.1% in October 2022 before falling to 4.6% in the latest published data for October 2023. This high inflation environment has yielded a forecast inflationary requirement of £16,659k in 2024/25, rising to £48,176k by 2028/29.
14. This compares to a forecast of £10,906k for 2024/25 when the Council set out the previous iteration of the budget strategy in February 2023, with this latest refresh presenting a 53% increase from these projections. Inflation, together with further increase in demand-led growth and corporate items has generated the need for the continuing development of savings programmes. It is expected that this will continue to be a key requirement within our budget strategy in the years ahead.
15. The Autumn Statement announced in parliament on 22 November 2023 implied spending targets for unprotected Government departments from 2025/26 onwards will result in real terms spending reductions, with the OBR estimating spending on unprotected departments would fall by 2.3% in real terms from 2025/26, with this number forecast to increase to 4.1% per year, should the government follow through on its ambition to increase defence spending to 2.5% of GDP and return overseas development assistance to its 0.7% of gross national income target. This therefore might imply that the best-case scenario would see cash flat settlements from 2025/26 onwards.

Chart 1: Medium Term Funding Scenarios



16. As can be seen from the analysis above, the savings programme outlined in this budget strategy would only be sufficient to contain service expenditure within the resource envelope in a scenario where the £4.9m funding allocated by the Government in core Adult Social Care spending is retained in 2025/26 and beyond. However, the current savings programme reflects specifically identified actions at this time and we expect to develop and increase the programme further over the life of the MTFP. It should be recognised that in the absence of the retention of the aforementioned Adult Social Care Funding and increased savings, a requirement for a 30% uplift in core government grant support would be necessary in order to balance later years budgets.
17. The continuation of a second year of adverse economic conditions and the stubbornly high inflationary pressures represents the main cause of the current cost-of-living pressures, with the impact from increasing costs and declining revenues having negative impacts on local residents and businesses, with the Council in turn exposed to these forces and facing similar challenges in service delivery, albeit on a larger scale and in the context of a range of statutory responsibilities. The impact of this is particularly evident in the Council's homelessness prevention service, which is experiencing a sustained period of high demand, with the Council needing to materially increase the level of budgetary provision in this area. Furthermore, COVID-19 legacy issues continue to impact on Council services and finances, with pandemic related pressures believed to be a strong driver for the ongoing financial pressures within Adult Social Care.

18. Notwithstanding the additional challenges presented by adverse economic conditions and the legacy impacts from the pandemic, this budget strategy does not rely upon use of General Balances to support service expenditure and aims to increase net reserves over the five-year MTFF period to build the Council's financial resilience going forward, with this strategy proposing an increase in reserves of £7,500k by 2028/29 if no unforeseen economic shocks are sustained. A review of the range of general risks affecting the Council and the anticipated release of significant sums from provisions and EMRs in 2023/24 indicates that the recommended level of uncommitted reserves (General Balances) should be between £22,000k and £41,000k, meaning that £4,848k over and above earmarked reserves remains available to the Council to deploy, should it be required.
19. In addition to General Balances, the Council holds Earmarked Reserves to manage specific risks, projects and cyclical expenditure commitments. At 31 March 2024, these are projected to total £13,926k, with £3,048k being the remaining balance of identified funding to meet exceptional inflationary pressures. This strategy includes no further release from earmarked reserves to fund ongoing service expenditure.
20. Savings proposals totalling £33,411k have been developed towards mitigating the emerging expenditure pressures as funding levels are projected to grow at a slower rate than demand for Council Services, with a residual £17,579k budget gap to be mitigated over the period from 2024/25 to 2028/29. As in previous years, savings proposals for the forthcoming financial year are specific in nature, with medium-term plans structured around wider strategic approaches to transformation of local services. Proposals have been developed within the themes of Service Transformation, Effective Procurement, Digital Strategy, Workforce, Managing Demand and Income Generation & Commercialisation and Zero Based Reviews, with an overview of specific measures set out within this report.
21. Following on from the Autumn Statement announcement in November 2023 and whilst the Local Authority settlement is still awaited, it is considered highly likely that Government Grants and Business Rates income will fail to match prevailing levels of inflation currently being experienced in the medium term and that demand levels for Adult and Children's Social Care provision have shown and will continue to show unrelenting growth. It has therefore proved necessary for the Council to continue the approach of proposing increases in Fees & Charges to keep pace with inflation and in part mitigate the shortfall in Government funding.
22. This draft budget outlines £346,869k of proposed capital expenditure – including substantial investment in local infrastructure, a new leisure centre and delivery of significant additional SEND capacity in the borough's schools – of which £74,076k is to be financed through borrowing. Taken together with historic capital spending, this investment will result in the Capital Financing Requirement peaking at £318,748k in 2025/26 and declining thereafter. Of

this peak borrowing requirement, £271,057k is expected to necessitate external borrowing, with £47,691k being financed through General Fund reserves and working capital.

23. The following sections of this report and Appendix A provide further commentary and analysis to support the General Fund budget strategy, before returning to a summary of the Schools Budget position and Housing Revenue Account in turn.

Risk Management

24. In developing a strategy to deliver services within a constrained resource envelope, it is necessary to reflect upon both risk and opportunity arising from the Council's current financial standing, with this assessment in essence representing an informed view of the organisation's financial resilience. The following paragraphs provide an update on the constituent elements of this assessment:

- a. **General Fund Reserve-levels:** a key indicator of financial resilience, the Council is projected to retain £45.2m at 31 March 2023 between general and earmarked reserves at the time of budget setting in February 2023, with the final outturn for the year seeing this sum increase to £46.9m. Latest projections for the 2023/24 year would see this sum fall to £40.5m by 31 March 2024, which remains broadly in line with budget strategy assumptions as one-off or windfall gains are being deployed to meet additional cost pressures arising from the ongoing high inflation environment while also reflecting that the Council has historic commitments against specific earmarked reserves. Of this sum £26.9m is projected to be held in unallocated General Balance, with £13.9m earmarked for specific purposes.

The Corporate Director of Finance is required to set out a recommended range for unallocated reserves, which was set between £22m and £41m for the 2023/24 financial year. Current reserve levels are therefore towards the lower end of the acceptable range for an authority such as Hillingdon, and as outlined in the Section 25 Statement in the Budget Strategy report presented to Cabinet in February 2023, this budget now proposes increasing reserves by £7.5m by 2028/29. The recommended range for General Balances is predicated on the Council being able to deliver balanced budgets and makes no provision for substantial deployment of reserves over the MTFF period.

While reserve-levels remain within the recommended range, it is notable that the Council's absolute levels of reserve are an outlier in London – being ranked 31 from 33 authorities at 31 March 2022 (the last date for which comparable data is available). This will impact how the Council develops its budget strategy over the coming years with a focus on building resilience through £7.5m budgeted contributions to reserves over the five year period of the MTFF.

- b. **Dedicated Schools Grant Deficit:** the cumulative deficit arising from sustained underfunding of SEND provision by the Department for Education stood at £21.9m at 31 March 2023, equivalent to 47% of the Council's total General Fund Reserves. There is currently a time-limited statutory override in place until 31 March 2025 which ensures that this deficit does not impact upon general reserves, and the Council's General Fund budget strategy is predicated on the further continuation of this override. As the Council continues to invest significant funds and capacity to bring this ringfenced account into balance over the medium term, the DSG deficit will continue to represent an additional call on financial capacity.
- c. **Capital Financing Requirement:** this reflects the Council's underlying need to borrow and the element of historic investment that has not yet but will ultimately be funded from Council Tax receipts. At the time of the last budget setting in February 2023 this was projected to total £259.7m at 31 March 2023, with the final outturn position falling marginally to £257.6m as a result of slippage in planned capital spending. At 21.5% of the Council's £1,196m asset base, this does not represent an excessive level of borrowing for an authority such as Hillingdon and plans are in place to fully meet this obligation over the useful economic lives of the associated assets.

The Council retains no material interest in investment property or other commercial interests on its balance sheet, with assets held primarily for delivery of services to local residents. As a result, a material write-down of asset values is not considered a material risk for Hillingdon and economic conditions would not be in a position to require accelerated funding of the Capital Financing Requirement.

Shareholding in the Council's housing development company currently totals £4.9m, with facility for further lending to finance specific schemes on a case-by-case basis. Given the scale of projects delivered by the company and the Council's status as sole shareholder and lender, the risk of this operation adversely affecting the Council's broader financial resilience is limited.

- 25. On the basis of these core balance sheet measures, Hillingdon maintains significant capacity for capital investment with limited exposure to commercial risk, albeit with a lower level of reserves cover than other authorities which emphasises the requirements for a greater focus on reliable delivery of balanced budgets. While it is likely that almost all local authorities are facing a budgetary challenge of a similar nature to Hillingdon, it is notable some of those authorities may have higher debt and associated risk with the recent increases in interest rates. In this context the current MTFF strategy depends on the achievement of asset sales with circa £75 million assumed over the next five years and these providing the financing

towards the Council's transformation programme and DSG Safety Valve agreement requirements.

26. Based on the Council's assessment of its financial resilience, the budget strategy presented in this report has taken a prudent approach to the review of inflation, with the Council's core inflation assumption being that CPI continues to track at circa 7% per annum for 2023/24 and 2024/25, before falling to 4% for 2025/26 before returning to the Bank of England target rate of 2% for the remainder of the five-year strategy. The approach assumes that much of the Council's core contracted expenditure ultimately presents for an increase of this magnitude, albeit with an expectation that the timing of uplifts will present on a staggered basis. On a similar approach, Social Care continues to generate a significant inflation requirement against an expenditure budget exceeding £110m. Energy and fuel inflation forecasts continue to track significantly above inflation, predominantly linked to the impact from the war in Ukraine with a further risk from the current Israeli-Palestinian Conflict.
27. Following ten years of Hillingdon freezing Council Tax before applying more modest increases in recent times, Hillingdon has positioned itself as a low tax authority, however, as the Government assume that Councils will raise Council Tax in line with the referendum threshold, the Council's core spending power is tracking behind where Government models would assess it to be. Indeed, it should be noted that as a result of the ten-year freeze, even after an increase in 2023/24, Council Tax levels in Hillingdon are amongst the lowest in London. This means that the robustness of estimates is critical as the Council needs to ensure that Service Operating Budgets are sufficient to fund services going forward without the reliance on reserves.
28. The Council continues to take a robust approach to the recommended Savings Programme, which is focussed on making improvements and efficiencies in service delivery rather than service reductions, with assessed proposals being included in the Council's budget strategy, and the majority of savings targets assigned to specific service departments, This allows the Council to have greater certainty in the delivery of the saving programme, albeit with an inherent level of risk due to continuing adverse economic conditions and the increasingly complex nature of the savings initiatives being undertaken.
29. The combination of this substantial savings programme and proposed uplifts in Fees & Charges are projected to secure £15.7m benefit in the 2024/25 financial year, indicating the scale of measures required to manage the increased savings requirement for the forthcoming financial year.
30. Based on the approach adopted to generating the Council's budget strategy, the procedures it follows, and the assumptions included in this report, the budget strategy is deemed to be

based on sound forecasting and realistic assumptions that enable the Cabinet to present this position to the public, local businesses and Council members for consideration.

31. As part of the Cabinet’s final budget proposals to Council presented in February 2024, the Corporate Director of Finance will provide assurances around robustness of estimates and adequacy of reserves as part of the statutory framework for local authority budget setting. These assurances will be framed with reference to principles and standards included within CIPFA’s Financial Management Code.

Budget Proposals for the Residents’ Services Select Committee

32. Service expenditure will grow due to inflationary pressures, demand-led growth and other corporate items including capital financing costs. The below table sets out the impact of these expenditure movements across the Cabinet Portfolios within the remit of this Select Committee for 2024/25.

Table 4: Service Expenditure Budget Proposals

	2023/24	Inflation	Demand-led Growth	Corporate Items	Savings Proposals	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
Residents' Services	22,681	2,930	5,103	0	(5,840)	24,874
Services within the remit of other committees	241,219	13,450	5,351	6,073	(8,162)	257,931
Corporate Budgets & Cross-Cutting Initiatives	(622)	279	0	0	(1,750)	(2,093)
Total Service Expenditure	263,278	16,659	10,454	6,073	(15,752)	280,712

33. Inflation: Cost pressures of £2,930k are projected against 2023/24 expenditure going into 2024/25, with material uplifts in relation to workforce budgets, contracted expenditure and energy costs. In line with wider MTFE modelling, inflation projections are predicated on CPI being 7% during 2023, 3% in 2024 and 2% from 2025 onwards, with a forecast one-year time lag on these indices impacting on Council expenditure. For a second successive year, the exceptional inflationary environment within the national, and global, economy is the largest driving force behind the Council’s saving requirement in the short-term, with 2023/24 pay award being greater than the Council’s assumptions at the time of setting the 2023/24 budget, leading to the 2024/25 budget proposals including an element of funding for the 2023/24 pay award above the budgeted level which is being funded from Earmarked Reserves in-year.

34. Demand-Led Growth: items within the remit of this Select Committee account for £5,103k of the £23,950k increase across the Council over the life of the budget strategy to 2028/29, with a breakdown of these items presented below.
35. An uplift of £4,174k is projected on waste disposal costs, with an average of 1.9% per annum growth in waste tonnages in 2024/25, tapering off to 1.5% over the five-year period and 4% per annum disposal costs in 2024/25, reducing to 2% per annum thereafter, driving this sustained increase in costs, although there remains scope for volatility in both demand and price. The 2024/25 projection includes an element of rebasing for 2023/24 with both demand and price outstripping the 2023/24 budget setting. The Council continues to monitor demand and the effectiveness of the collection operation in an attempt to maximise efficiencies and reduce the environmental impact, with the Council required to use the West London Waste Authority (WLWA) for waste disposals and therefore having limited influence on unit costs but deriving benefits from the economies of scale of a six Borough partnership.
36. Homelessness continues to see additional demand presenting to the service, however, up until recently this has been met by additional Government funding following the introduction of the Homelessness Reduction Act in 2017 and ongoing central government measures to specifically address the Rough Sleeping cohort. Based on the Council's current demand and levels of Government funding, it is forecast that this service area will require additional demand funding of £2,379k in 2024/25 and a further £579k in 2025/26, driven by additional numbers being placed in high-cost nightly accommodation and the wider supply constraints across the housing market. This service area is particularly volatile and is being impacted by the cost-of-living crisis and pandemic legacy demand as well as an increase in private sector evictions, all in the context of consultation on the Government funding allocations, for this reason, this area will continue to be kept under review, with any further changes to the Council's Service Expenditure to be presented in future refreshes of the Council's budget strategy.
37. Corporate Items: budget movements within the remit of this Select Committee account for £0k of the £14,073k increase across the Council over the life of the budget strategy to 2028/29, with no corporate items falling within the remit of this committee.

Savings Proposals

38. As mentioned above, £15,752k of savings proposals have been incorporated into the draft budget for 2024/25, with £5,840k falling within the remit of this Select Committee. Details of the savings programme propels within the remit of this Select Committee are discussed below.

39. Residents' Services: A restructure has been undertaken across the Library Service ensuring that a robust and efficient structure is in place, following adoption of the new Library Strategy for the service. This restructure will deliver £250k in 2024/25, with an additional £135k achieved through new ways of working.
40. Ongoing reviews across Green Spaces are expected to secure savings of £1,100k through improvements to operating models, contract management and maximising income where appropriate. Zero-based review savings are included within the Residents Services portfolio, ensuring value for money and maximising alternative funding streams. These total £1,568k in 2024/25 and include an increase in application of S106 monies (£1,500k) and a reduction in Business rates expenditure following rate changes to Museums and Theatres (£68k).
41. A review of the Christmas lights programme will deliver £126k through the adoption of a corporate sponsorship model, allowing independent sponsorship for various Council schemes.
42. Across Waste Services, a series of projects are underway focusing on increasing levels of recycling and reducing contamination to ensure waste can be disposed of in the most cost-effective manner. These projects totalling £573k include; the review of resources and the introduction of an apprenticeship programme to improve customer service standards and support learning and development within the team (£136k), further work to improve capacity at the Household recycling centre (£100k), continued management of demographic growth through effective recycling and disposal (£100k), the promotion of food waste separation and a change in the style of caddy used (£107k), implementing fortnightly Garden Waste collections in winter months (£105k), improved waste and recycling facilities for privately owned flats (£7k) and increasing levels of cardboard separation at flatted properties (£18k). Further workstreams include the development of the trade waste operation to increase market share £260k, the introduction of advertising on Waste Vehicles £6k, and participation in a campaign against fly-tipping £7k.
43. Within Residents Services, there are a number of opportunities to generate further income across Parking Services £1,832k relating to the full year effect of proposals agreed as part of 2023/24 budget setting including enforcement of Yellow Box Junctions, the potential PCN banding change from B to A, and full year effect of Residents Parking Permits. Environmental Enforcement fines income of £110k is anticipated to be generated through stronger use of CCTV.
44. In addition to the specific savings programme, there are further expected cross-cutting savings of £370k from a review of discretionary spend and £575k from reviewing staffing vacancies across the Residents Services Portfolio.

Capital Proposals

45. Capital investment of £217,772k over the period 2024/25 to 2028/29 has been incorporated into the wider General Fund budget strategy set out within this report, with £88,800k investment in major projects, primarily delivering new or expanded infrastructure, and £128,972k investment in recurrent programme of works, ensuring that existing infrastructure is maintained and improved. An overview of these investment plans including changes from the programme approved by Council in February 2023 is detailed below, with further detail available in Appendix A8 that accompanied the Consultation Budget Report presented at December Cabinet.

Table 5: General Fund Capital Programme by Cabinet Portfolio

	Major Projects	Programme of Works	Total
	£'000	£'000	£'000
Total Capital Programme	88,800	128,972	217,772
<u>Of which, Service Expenditure in the remit of this committee:</u>			
Residents' Services	532	8,500	9,032
Services within the remit of other committees	88,268	120,472	208,740
Total	88,800	128,972	217,772

46. Further to the overview presented above, the below section sets out the Capital Proposals within the remit of this Select Committee.
47. **Residents' Services** – the draft budget of £9,032k includes £7,500k for the Chrysalis and playground replacement programmes, and a further £1,000k for environmental and recreational initiatives, including tennis court upgrades, providing various facilities to residents, and £532k for various shopping parades initiatives to improve local high streets.

Housing Revenue Account

Background

48. The HRA is a ringfenced, self-financing account whereby rental income from the Council's 10,381 social housing units are reinvested in the management, maintenance and expansion of stock for the benefit for tenants. Underlying detailed budget proposals for the 2024/25 financial year and the period to 2028/29 is a 30 Year Business Plan, which demonstrates that over the longer term the HRA is financially sustainable and that proposed capital investment will maintain this position.

49. The HRA budget strategy over the Council's five-year budget strategy period is structured around three key work programmes:
- Housing Supply – delivering at least 100 new homes per annum to support increasing demand for social housing in a growing borough.
 - Estate Regeneration – delivery of 370 new homes across the Avondale and Hayes Town Centre estates, a net increase of 72 during the MTFE period on the current configuration.
 - Works to Stock – an enhanced programme of works to ensure that properties are refreshed on a rolling programme.
50. Development of HRA budgets over the five-year has been undertaken in the context of significant inflationary pressures, with CPI remaining stubbornly high throughout 2024/25 which is being exacerbated by the relatively high proportion of construction and building-related expenditure which has been particularly affected during this period of high inflation. In order to manage this inflation in the context of Government capping rent increases below the prevailing rate of inflation at 7%, a programme of efficiency savings will be required over the MTFE period.
51. Further cost pressures have arisen during 2023/24 with HRA Operating Costs forecast to overspend by £2,055k, predominantly as a result of increased expenditure required to meet damp and mould remedial work. This position is being mitigated in-year by a reduction in capital financing costs linked mainly to the rephasing of the Hayes Regeneration Programme into future years, however, with this programme being rephased into 2024/25 and beyond, a permanent funding solution will be required to fund these emerging pressures.
52. Forward looking financial plans are based on solid foundations, with a forecast balanced budget for 2023/24 and unallocated reserves projected to total £15,101k at 31 March 2024. Given that £15,000k reserves are judged to provide sufficient capacity for risk management purposes and considering the economic context, the budget strategy maintains unallocated reserves at the target level.

Table 12: Housing Revenue Account Budget Strategy

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Total Resources	67,164	72,809	77,147	80,617	83,508	85,999
Total Service Expenditure	45,652	50,477	53,379	56,817	58,731	61,439
Contribution to Finance Capital Programme	21,597	22,433	23,768	23,800	24,777	24,560
Cumulative Budget Gap	(85)	(101)	0	0	0	0
Closing General Balances	15,101	15,000	15,000	15,000	15,000	15,000

53. Capital investment plans will result in the HRA Capital Financing Requirement reaching £400,519k in 2028/29, with both the budget strategy and 30 Year Business Plan demonstrating that the ongoing servicing and repayment of this level of borrowing is sustainable.
54. Further commentary on the HRA budget strategy is provided below, with detailed schedules included in Appendix B.

RENTAL INCOME

55. HRA Dwelling Rental Income is projected to grow from £67,164k in 2023/24 to £85,999k by 2028/29, with this £18,835k increase in funding driven by a combination of inflationary rent increases and net growth of 445 dwellings as investment in delivery of new stock outstrips projected losses through Right to Buy sales and the Hayes Estates Regeneration Scheme properties come into operation. Within these projections, levels of void losses are projected to marginally decline from 1.18% to 1.14% as a result of investment in service capacity to improve property turnaround times.
56. As part of the November 2022 Autumn Statement, the Government established a 7% cap on rent increases within the sector, which formed the basis of the 2023/24 budget, with 2024/25 expected to return to CPI+1% and yield a 7.7% increase based on September's CPI rate of 6.7%. Thereafter, the CPI rate for September has been forecast to be 3.4% in 2025/26 before reaching the Bank of England's target rate of 2% in the medium-term.
57. The table below provides an overview of projected changes in stock numbers, with new units being delivered through the capital investment plans expanded upon later in this report while units are sold under Right to Buy.

Table 13: HRA Stock Numbers

Tenanted Stock	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Change
Projected Opening Stock	10,253	10,295	10,318	11,403	11,514	10,494	N/A
Forecast Right-to-Buy Sales	(50)	(40)	(40)	(40)	(40)	(25)	(235)
New Units	114	100	100	100	20	20	454
Housing Regeneration voids	(22)	(37)	(66)	0	(79)	(94)	(298)
Housing Regeneration new build	0	0	91	51	79	53	274

Projected Stock	Closing	10,295	10,318	11,403	10,514	11,494	10,448	195
Projected Stock	Average	10,274	10,307	10,361	10,459	10,504	10,471	n/a

INFLATION

58. Inflationary cost pressures of £7,186k are projected within the HRA, with material uplifts relating to workforce costs, materials in relation to repairs and maintenance works and energy inflation, with an element of this cost pressure being required to provide permanent funding for 2023/24 inflationary pressures which are forecast to be greater than budgeted for in February 2023, with this pressure being primarily linked to the 2023/24 pay award being greater than the 4% budgeted uplift, the HRA having a larger percentage uplift than the General Fund due to the recent pay awards being for a fixed uplift in cash terms, leading to a higher percentage for the HRA due to the average salary being lower in the HRA than the General Fund. Further analysis of the inflation requirement is presented in Appendix B2.
59. Workforce costs reflect anticipated pay awards of 16.1% over the budget strategy period, with 2023/24 including an element of 'catch up' inflation following a higher than budgeted pay award in 2023/24. The Council's overarching inflation assumptions are for CPI to continue to average at 7% for 2023, with a time lag on contract uplifts meaning this value is realised in 2024/25, before declining to 3% in 2025/26, before reaching the Bank of England target rate of 2% thereafter, with elements of the Council's expenditure and income being driven by alternative indices. Material costs are projected to grow by the September RPI rate of 8.9% in light of ongoing supply chain issues and energy budgets are projected to require uplifts of 8.9% for 2024/25 to reflect current market volatility before reducing to 3% in the medium term.

CAPITAL CHARGES

60. Capital investment plans expanded upon later in this report necessitate £395,414k of new borrowing over the period to 2028/29, the ongoing servicing and repayment of which will add £8,101k to HRA service expenditure over the MTFE period. These financing charges reflect current borrowing costs, with underlying investment continuing to meet the thresholds for affordability, sustainability and prudence.

GROWTH

61. Specific uplifts of £1,500k in planned service expenditure have been incorporated into this draft budget to ensure that sufficient organisational capacity is in place to deliver on local and national priorities. The growth is funding two key emerging areas with £1,000k of growth being included to fund repairs work, with the majority of this growth linked to the damp and mould remedial work including the resourcing of a specialist dedicated team, with the

remaining £500k being required to fund Housing Management resources to ensure Housing Regulator requirements are met alongside the stock increases and associated demand pressures.

SAVINGS

62. With the HRA operating as a ringfenced self-financing account, it is incumbent upon the Council to match expenditure to available resources. In the context increasing expenditure associated with damp and mould work alongside the additional demands on the Housing Management service, it is therefore necessary to identify cost reductions to ensure the HRA remains financially sustainable. In order to ensure that capacity exists to continue to invest in existing and new housing stock, these cost reductions will be secured through identification of efficiency savings using similar programmes to those deployed by the Council across General Fund services.
63. In line with the approach taken to managing service transformation on General Fund services, these HRA proposals will be developed alongside the existing workstreams and support work undertaken to maximise efficiencies within shared back office functions, with reductions in spend in these areas generating a benefit against the HRA's Contribution to Shared Services budget, with a particular focus on the Council's digital strategy that benefits both the General Fund and the HRA. As a result, the HRA is expected to contribute to this work and reduce expenditure by £500k per annum in 2024/25 and 2025/26.

Capital Programme

64. Capital investment of £441,770k in expansion and enhancement of the housing stock over the period 2024/25 to 2028/29 has been fully reflected within this draft budget, including £264,951k funding to deliver 614 new dwellings gross and £176,819k investment in existing housing stock. Further detail on these investment plans can be found in Appendix B4, with a brief overview set out below.
65. Investment in new housing includes £131,248k budgets for the flagship regeneration projects on the Avondale and Hayes Town Centre estates which are expected to deliver 370 new homes, a net increase of 72 on the current configuration. A further £133,703k has been allocated to deliver 340 units through internal development and acquisitions, with project timelines set out to maximise use of retained Right to Buy receipts over the MTF period.
66. £176,819k has been budgeted for an enhanced programme of works to stock, based around a five-year cycle and including renewal of key components such as kitchens, bathrooms, roofs, windows and boilers. Through these works and further investment in insulation measures, this programme of investment is intended to increase energy efficiency and

thereby contribute towards tackling fuel poverty. Additionally, investment in major adaptations to properties will continue, ensuring that the wider needs of HRA tenants can be supported in their own homes where appropriate.

Table 7: HRA Capital Programme

	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Major Projects	24,858	45,171	46,526	8,447	8,701
Housing Regeneration Programme	30,749	16,021	13,206	39,357	31,916
Programmes of Work	36,930	36,170	37,419	37,885	28,413
Total	92,537	97,362	97,151	85,689	69,030

BACKGROUND PAPERS

THE COUNCIL'S BUDGET: MEDIUM TERM FINANCIAL FOECAST 2024/25 - 2028/29, presented to 14 December 2023 Cabinet Meeting